

LACHLAN STAR LIMITED

ABN 88 000 759 535

Annual Report 30 June 2020

CORPORATE DIRECTORY

DIRECTORS

G Steinepreis (Non-Executive Chairman)
K Eckhof (Non-Executive Director)
B Aylward (Non-Executive Director)
D Smith (Non-Executive Director)

COMPANY SECRETARY

D Smith

AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
London House Level 3, 216 St Georges Terrace
Perth WA 6000

BANKERS

Westpac Banking Corporation
Level 13 109 St Georges Terrace
Perth, WA, 6000

REGISTERED OFFICE

Level 1, 33 Ord Street
West Perth WA 6005
Telephone: +61 89420 9300
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SHARE REGISTRY

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Level 11
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Perth WA 6000

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SECURITIES EXCHANGE LISTING

Securities of Lachlan Star Limited are listed on ASX Limited.
ASX Code: LSA - ordinary shares

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OPERATING AND FINANCIAL REVIEW

FINANCIAL PERFORMANCE

The consolidated entity's loss after tax for the year ended 30 June 2020 was \$447,102 (2019: loss of \$419,700) after recognising corporate compliance and management costs of \$224,769 (2019: \$283,378).

FINANCIAL POSITION

An analysis of the significant movements in Statement of Financial Position line items is provided below:

CASH AND CASH EQUIVALENTS

As at 30 June 2020 the Group had cash reserves of \$1,782,182, an increase of \$188,565 from 30 June 2019.

TRADE AND OTHER RECEIVABLES

Trade and other receivables have decreased by \$56,238 since 30 June 2019.

TOTAL LIABILITIES

Total liabilities have increased by \$41,877 since 30 June 2019.

The movement in contributed equity since 30 June 2019 is shown below:

| | 30-Jun-20 | |
|-----------------------------|------------------|--------------------|
| | \$ | No. |
| Ordinary shares | | |
| 1 July 2019 | 3,325,554 | 753,865,663 |
| Issued capital | 500,000 | 100,000,000 |
| Share capital raising costs | (30,750) | - |
| 30 June 2020 | 3,794,804 | 853,865,663 |

RESERVES

Reserves have increased by \$90,311 since 30 June 2019 as a result of performance rights issues expensed in the year (note 16).

CORPORATE

Capital Raising

On 26 June 2020, the Company announced that it had received firm commitments for a placement of 100,000,000 ordinary shares at an issue price of \$0.005 per share. The shares were issued to new and existing professional and sophisticated investors to raise \$500,000 (Placement Shares). On 1 July 2020, the Company announced the issuance of the Placement Shares.

Annual General Meeting

The 2019 Annual General Meeting of the Company was held on 18 November 2019. All resolutions put to the meeting were passed on a show of hands.

REVIEW OF OPERATIONS

KOOJAN NI-PGE PROJECT – WESTERN AUSTRALIA (OPTION TO ACQUIRE 75%)

On 26 June 2020, the Company announced that it had entered into a 6 month Option Agreement, in which Lachlan can purchase an initial 50% interest in Coobaloo and its Koojan Copper-Nickel-PGE Project (Project) located approximately 80km north of the recent Julimar Ni-PGE discovery by Chalice Gold Mines Ltd and approximately 130km north of Perth (Option Period). Lachlan Star paid a fee of \$50,000 on signing the Option Agreement. Lachlan Star is entitled to a further 25% of Coobaloo by way of spending A\$350,000 (inclusive of the initial expenditure) on the Project within 18 months.

Regional Geological Setting and Rock chip sampling

The Project is located in the New Norcia region of Western Australia (**Figure 1**). The Project is owned by Coobaloo Minerals Pty Ltd and covers a contiguous area of 600km². The project is located 80km north of the recent Julimar Ni-PGE-Cu discovery by Chalice Gold Mines Ltd, and is located in a similar geological setting. The Project is located within the Western Gneiss Terrain of the Archaean Yilgarn Craton of south-west Western Australia (**Figure 2**). The prospective mafic/ultramafic bodies are hosted within the Jimperding Metamorphic belt – a belt up to 70km wide and bounded to the west by the Darling Fault, and to the east by Yilgarn craton units. The geology in the project area consists of laterite duricrust overlying weathered bedrock, with localised areas of outcropping dolerite units and granitic/gneissic units observed. The Project is located within a farming district with extensive seasonal cropping (wheat, barley, canola etc) and grazing that will impact on the geological exploration at times.

Lachlan Star has completed an initial site visit to the project to review the geological setting and zones of anomalous mineralisation. The visit highlighted that areas of high-grade copper, nickel, cobalt and anomalous PGE mineralisation are associated with mafic intrusive rocks. This will be an immediate focus of the exploration programme to continue to expand and define these areas for evaluation. The reconnaissance rock chip programme has consisted of samples dispatched to SGS and ALS for analysis or has consisted of analysis by handheld XRF in the field. The sampling has returned anomalous results for Copper (up to 2.78% Cu), Nickel (up to 0.18% Ni), Cobalt (up to 1,740ppm Co), as well as anomalous values for zinc, lead and PGE elements (**Figure 2**). The anomalous results require follow-up, and it is noted that in the reconnaissance stage a range of values from below detection to the upper limits were returned.

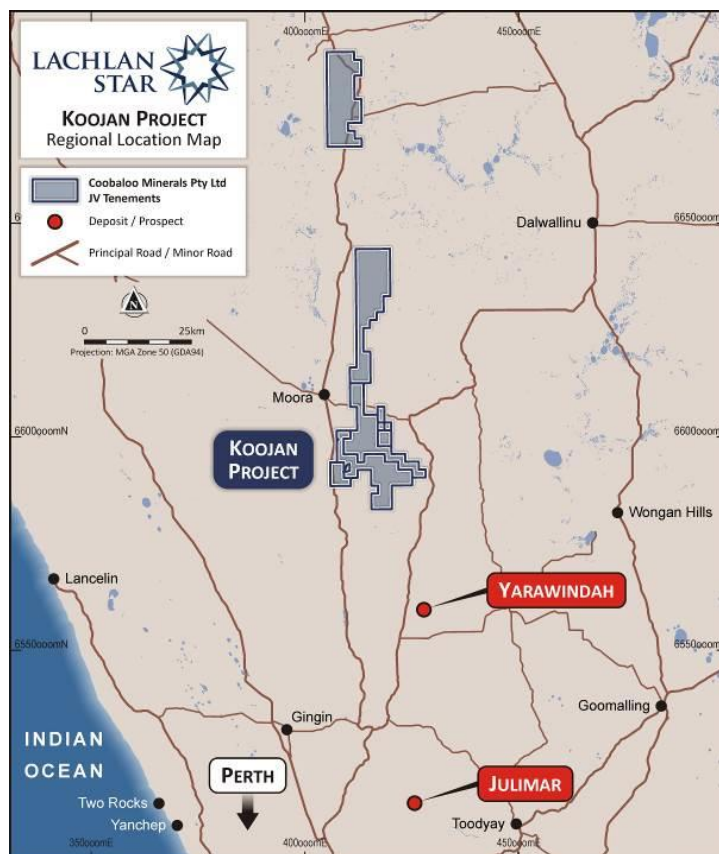


Figure 1: The Koojan Project location

Geological mapping and interpretation

Detailed geological traverses have been completed over the southern block of tenements of the Koojan Project. Access to the area is excellent with public roads and farm access tracks allowing full coverage of the area (Figure 3). The geological mapping has identified a series of mafic units (gabbro and basalt units) and ultramafic units (harzburgite). Examination of the ultramafic units has identified the presence of sulphide mineralisation, and petrological studies are planned for these units to identify the sulphide assemblage. In addition, rock chips have been collected for initial assay and whole rock analysis to confirm the field observations.

The interpretation of the geological mapping is continuing in conjunction with an interpretation of the regional aeromagnetic data and this new geological interpretation will be a guide for the proposed geochemical sampling programs which commenced in late-August.

In addition to the use of EM geophysics the Company is also reviewing the potential for a gravity survey that may provide additional information on the geological and structural control in the project area.

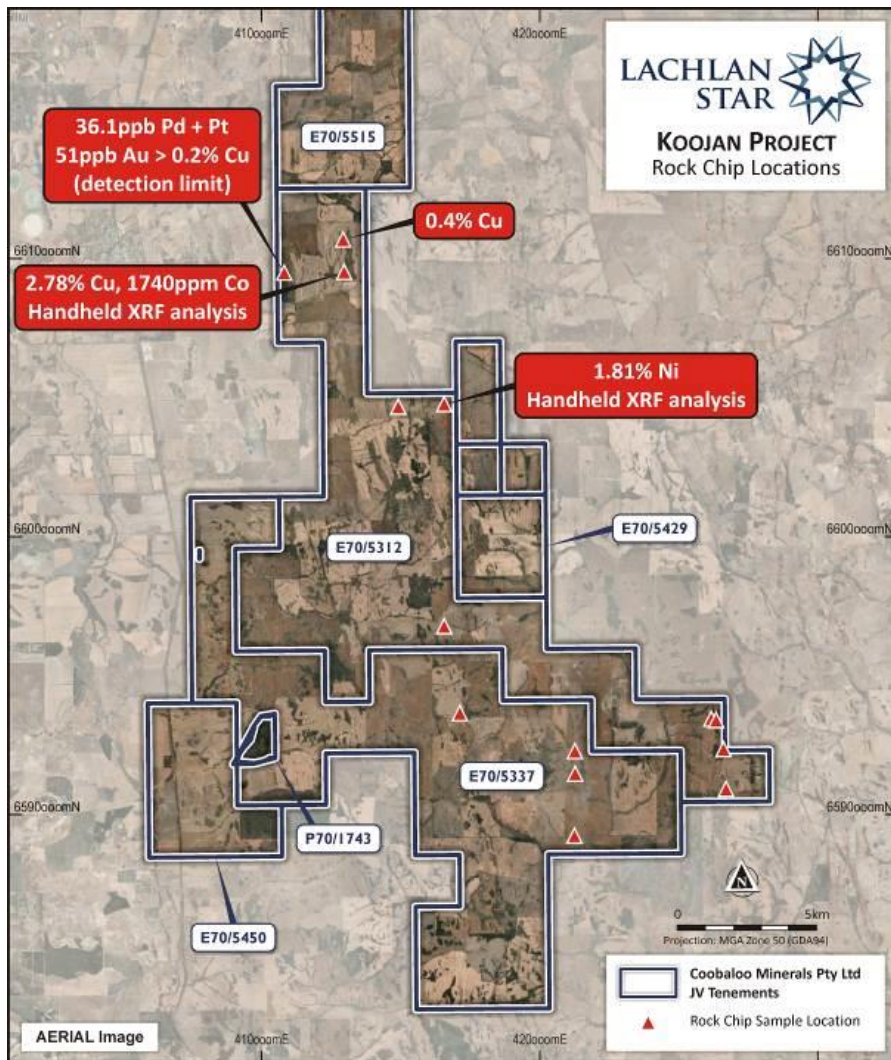


Figure 2: Koojan Project Reconnaissance Rock chip location overlying satellite image

Preliminary Geophysical Review

The Project is interpreted to be located within the same geophysical setting as the Julimar and Yarawindah Ni-Cu-PGE prospects. This setting is characterised as a zone of intrusive mafic to ultramafic rocks proximal to the margin of the Yilgarn craton and hosted within a complex structural setting on the margin of gravity anomalies. This structural zone is interpreted to have intruded the granite dominated terrain, and can be traced from the Julimar prospect through to the Project where filed reconnaissance and Government geological mapping has identified a series of mafic to ultramafic units within the Project area.

A further review of regional Gravity survey indicates the project is located on the margins of a gravity anomaly and is proximal to major structures and a detailed survey for the project area will be evaluated as exploration identifies key target areas. In addition, as the exploration is at a very early stage, there is no reliable electrical geophysics (EM or IP) identified and this will be included in Lachlan Star's initial exploration programme.

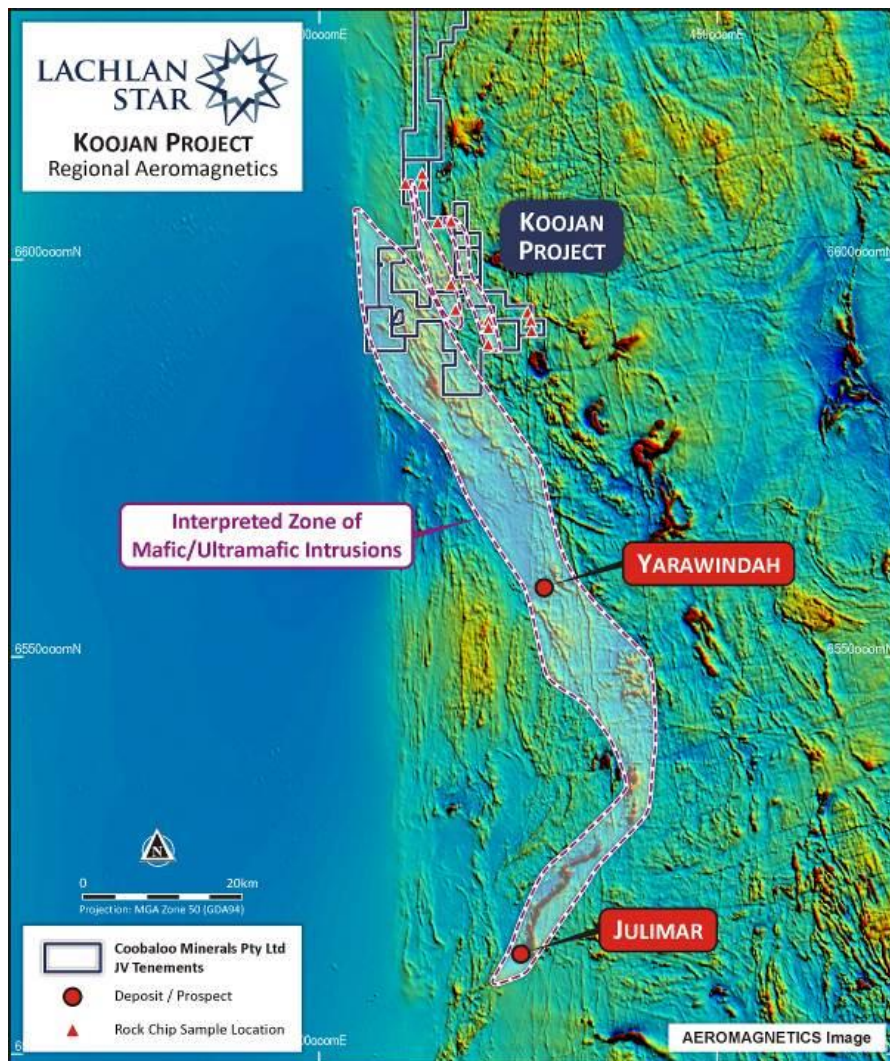


Figure 3: Regional Airborne Magnetic Geophysical survey data

Geophysical Review – Heli-EM survey

The Koojan Project is interpreted to be located within the same geological setting as the Julimar and Yarawindah Ni-Cu-PGE prospects. This setting is characterised as a zone of intrusive mafic to ultramafic rocks proximal to the margin of the Yilgarn craton and hosted within a complex structural setting on the margin of gravity anomalies. This structural zone is interpreted to have intruded the granite dominated terrain and can be traced from the Julimar prospect through to the Koojan Project where filed reconnaissance and Government geological mapping has identified a series of mafic to ultramafic units within the Koojan Project area.

Lachlan Star is reviewing the possibility of joining a Heli-EM survey that will focus on the identified zones of mafic and ultramafic units. The identification of sulphide mineralisation noted in the rock units gives confidence that an EM survey may be able to identify sulphide systems. It has been noted that discoveries in the New Norcia region have been made through a combination of surface geochemistry and geophysics (**EM**) and reconnaissance mapping of the Koojan Project indicates this approach will be suitable to the project area.

On 28 August 2020, the Company announced that it had commenced the Heli-ElectroMagnetic (Heli-EM) survey at the Koojan Project. The Heli-EM survey was planned to target areas of mapped mafic-ultramafic intrusive rocks and areas of identified anomalous Ni-Cu-PGE mineralisation (**Figure 4**).

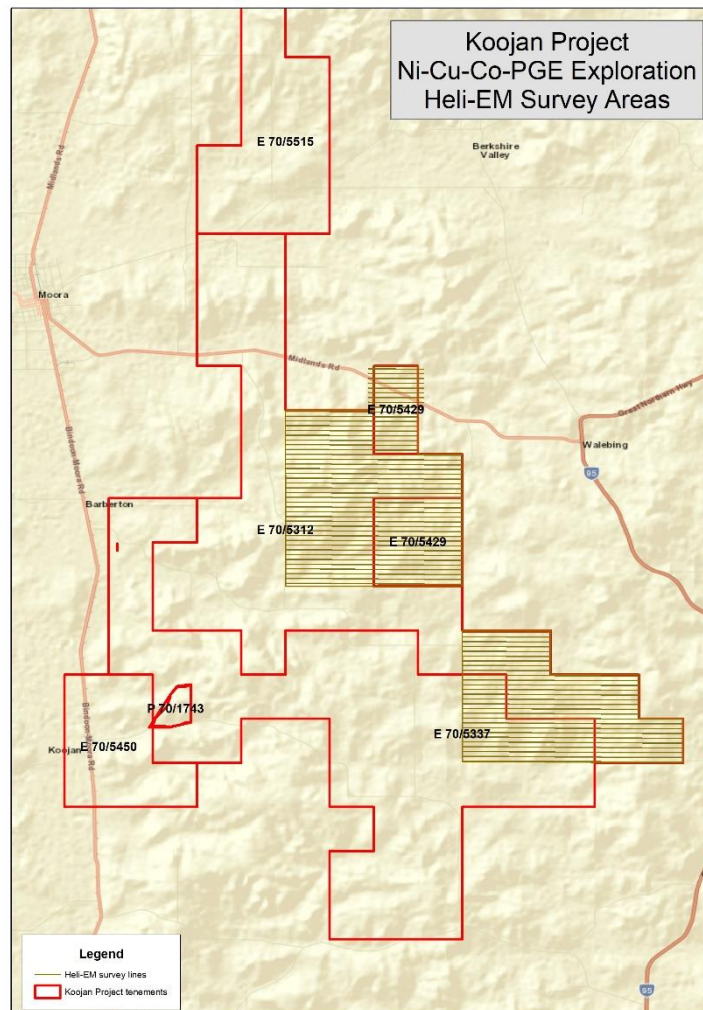


Figure 4: Location of Heli-EM survey lines within Koojan Project

PRINCHESTER MAGNESITE PROJECT – QUEENSLAND (100%)

The Princhester Magnesite Project is located 85km northwest of Rockhampton, Queensland and comprises two granted Mining Leases (ML), ML5831 and ML5832 (**Figure 5**). The project sits within the northern New England Orogen, and within the Marlborough Province. The New England Orogen is a significant mineral province in eastern Australia, extending from Port Macquarie, New South Wales, in the south to north of Mackay, Queensland. The New England Orogen mineralisation includes significant gold mineralisation (Mount Morgan, Gympie) and various mineral deposit styles including mesothermal and epithermal gold, VMS, epithermal silver and lateritic nickel. The New England Orogen also contains economically important commodities including tin, sapphires, diamonds, molybdenum, tungsten, magnesite, cobalt and antimony.



Figure 5: Location of Princhester Project, Queensland

The Marlborough province is bounded to the west by the major Yarrol Fault System, which is marked by serpentinite lenses. In the Marlborough area, these ultramafic rocks form an extensive flat-lying thrust sheet of early Paleozoic ocean floor and upper mantle (harzburgite) material. The terrain within the Princhester Magnesite Project consists of steeply dissected ridges where the serpentinite and associated rocks are deeply weathered and overlain in part by laterite. The harzburgite and serpentinite bodies are elongate north west – south east striking and are concordant with the strike of the enclosing rocks. The harzburgites have mostly been serpentinised and these, as well as the separately emplaced serpentinites have largely been weathered. The magnesite mineralisation is a mixture of magnesite, quartz and magnesia silicates which are associated with serpentinite.

Magnesite ($MgCO_3$) is an ore for magnesium production and the source of a range of industrial minerals. There are two main uses for magnesite. The first is as feedstock in the production of dead-burned magnesia and for refractory brick use in lining furnaces in the steel industry and non-ferrous metal processing units and cement kilns. The second use is for processing to caustic calcined magnesia which is used principally as a food supplement in agribusiness and in fertilisers as well for fillers in paints, paper and plastics. Raw magnesite is used for surface coatings, landscaping, ceramics and as a fire retardant.

BUSHRANGER COPPER PROJECT - EL 5574 (<10%)

The Company has elected to dilute its interest by not participating in exploration programmes. The Company's current holding is less than 10% and has been converted to a Net Smelter Royalty. This project is carried at a nil value in the Statement of Financial Performance (2019: \$Nil).

NEW PROJECT OPPORTUNITIES

The Company has allocated part of its working capital budget to the identification and evaluation of new mineral resource opportunities in Australia and overseas, undertaking a review of a range of opportunities during the financial period. No decision to invest in any of the projects currently being reviewed has been made at this stage.

The Company will also consider the acquisition and development of any other investments, both within the mining industry and in market segments unrelated to the mining industry.

ANNUAL STATEMENT OF MINERAL RESOURCES AND ORE RESERVES

The Company does not have any Mineral Resources or Ore Reserves.

Competent Persons Statement

The information in this report that relates to exploration results, including the exploration target, is based on information compiled by Mr Bernard Aylward. Mr Aylward is a Non-Executive Director of the Company. Mr Aylward is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Aylward consents to the inclusion in the announcement of matters based on his information in the form and context it appears.

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity, being Lachlan Star Limited (Company or Lachlan) and its subsidiaries (consolidated entity or group), at the end of and for the year ended 30 June 2020. Lachlan Star Limited is a listed public company incorporated and domiciled in Australia.

DIRECTORS

The names and details of the Company's directors in office at any time during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Gary Steinepreis – Non-executive Chairman

Appointed 18 January 2018

Mr Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He provides corporate, management and accounting advice to a number of companies involved in the resource, technology and leisure industries.

Directorships held in listed entities

| Company Name | Appointed | Resigned |
|-------------------------|---------------|-------------------|
| CFOAM Limited | 30 March 2016 | - |
| Taruga Minerals Limited | 15 July 2016 | - |
| Helios Energy Ltd | 4 June 2010 | 11 September 2018 |

Interest in Shares and Options

Fully Paid Shares – 78,000,000

Performance Rights – Nil

Options – 32,500,000

Bernard Aylward – Non-executive Director

Appointed 18 January 2018

Mr Aylward is a geologist with over 20 years' experience as a manager and exploration geologist in the mining and exploration industry in a variety of commodities. Mr Aylward's experience includes serving as the Chief Operating Officer of International Goldfields Ltd (ASX: IGS), General Manager of Azumah Resources Ltd (Ghana), and Exploration Manager for Croesus Mining NL.

Mr Aylward has been involved in the discoveries and management of the Bepkong, Julie, Collette and Kunche deposits in Ghana, as well as the Deep South gold deposit, Gladstone North deposit, St Patrick's, Norseman Reef and the Safari Bore gold deposit.

Mr Aylward brings considerable relevant skills and experience to the Board. He is a member of the Australasian Institute of Mining and Metallurgy.

Directorships held in listed entities

| Company Name | Appointed | Resigned |
|-------------------------|-----------------|-----------------|
| Kodal Minerals Plc. | 20 May 2016 | - |
| Taruga Minerals Limited | 21 October 2011 | 23 January 2020 |

Interest in Shares and Options

Fully Paid Shares – 2,000,000

Performance Rights – Nil

Options – 2,500,000

Daniel Smith – Non-executive Director

Appointed 18 January 2018

Mr Smith is a member of the Australian Institute of Company Directors, a Fellow of the Governance Institute of Australia and has over 12 years' primary and secondary capital markets expertise. As a director of corporate consulting firm Minerva Corporate, he has advised on, and been involved in, over a dozen IPOs, RTOs and capital raisings on both the ASX, AIM and NSX. His key focus is on corporate governance and compliance, commercial due diligence and transaction structuring, as well as ongoing investor and stakeholder engagement.

Directorships held in listed entities

| Company Name | Appointed | Resigned |
|------------------------------|------------------|-----------------|
| Alien Metals Ltd | 27 February 2019 | - |
| Artemis Resources Limited | 5 February 2019 | - |
| White Cliff Minerals Limited | 14 December 2018 | - |
| Europa Metals Ltd | 16 January 2018 | - |
| Hipo Resources Limited | 13 June 2018 | - |

Interest in Shares and Options

Fully Paid Shares – 5,000,000

Performance Rights – Nil

Options – 2,500,000

Klaus Eckhof – Executive Director

Appointed 13 August 2018

Mr Eckhof is a geologist with more than 30 years' experience identifying, exploring and developing mineral deposits around the world. After selling Spinifex Gold to Gallery Gold in 2001 he founded, in late 2003, Moto Goldmines, which acquired the Moto Gold Project in the DRC. There Mr Eckhof and his team raised over \$100 million and delineated more than 12 Moz of gold and delivered a feasibility study within four years from the commencement of exploration. Moto Goldmines was subsequently acquired by Randgold Resources for \$488m, who poured first gold in September 2013. He and his team also facilitated the Tiger Resources Cu project acquisitions in the DRC and helped funding the initial exploration phase. The project is now since several years in production.

In 2012, Mr Eckhof and his team facilitated the acquisition of the Bisie Tin Project in the DRC by Alphamin Resources where within 4 years one of the highest-grade Tin deposits in the world was drilled out and is now going into production. In 2018 he was instrumental of the acquisition of the Manono Tin Project in the DRC for AVZ Minerals which, following 18 months of drilling, confirmed as potentially one of the largest Li resources in the world.

Directorships held in listed entities

| Company Name | Appointed | Resigned |
|-------------------------|------------------|------------------|
| Okapi Resources Limited | 29 May 2017 | 28 November 2019 |
| AJN Resources Limited | 2 September 2016 | - |
| AVZ Minerals Ltd | 12 May 2014 | 26 June 2018 |

Interest in Shares and Options

Fully Paid Shares – 20,000,000

Performance Rights – 80,000,000

Options – Nil

COMPANY SECRETARY

Mr Daniel Smith was appointed Company Secretary on 19 March 2018.

DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2020, and the number of meetings attended by each Director.

| | <i>Number eligible to attend</i> | <i>Number attended</i> |
|----------------------|----------------------------------|------------------------|
| <i>G Steinepreis</i> | 1 | 1 |
| <i>K Eckhof</i> | 1 | 1 |
| <i>B Aylward</i> | 1 | 1 |
| <i>D Smith</i> | 1 | 1 |

PRINCIPAL ACTIVITIES

The Company's principal activities revolve around mineral resource exploration in Australia. The Company's assets include an option to acquire a 75% interest in the Koojan Ni-PGE project in Western Australia and the Princhester Magnesite project in Queensland.

The Company has allocated part of its working capital budget to the identification and evaluation of new mineral resource opportunities in Australia and overseas, undertaking a review of a range of opportunities during the year. No decision to invest in any of the projects currently being reviewed has been made at this stage.

The Company will also consider the acquisition and development of any other investments, both within the mining industry and in market segments unrelated to the mining industry.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's exploration and mining activities were concentrated in Australia, and in the prior year Australia and Chile. Environmental obligations are regulated under both State and Federal Laws. No environmental breaches have been notified to the Company by government agencies during the year ended 30 June 2020.

DIVIDENDS

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the reporting period (2019: Nil).

AUDIT COMMITTEE

The Board considers that the Company is not currently of a size to justify the existence of an Audit Committee.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 18 and forms part of the directors' report for the financial year ended 30 June 2020.

REMUNERATION COMMITTEE

The Board considers that the Company is not currently of a size to justify the existence of a Remuneration Committee. The whole board act as the remuneration committee.

NON-AUDIT SERVICES

The auditors did not provide any non-audit services during either the period under review or the corresponding period.

| | 30-Jun-20 \$ | 30-Jun-19 \$ |
|--|-----------------|-----------------|
| Amounts received or due and receivable by Bentleys (WA) Pty Ltd for: | | |
| An audit or review of the financial report of the entity | 16,750 | 13,093 |
| Amounts received or due and receivable by PWC (WA) Audit Pty Ltd for: | | |
| An audit or review of the financial report of the entity | - | 15,000 |
| Total audit services provided to the Group | 16,750 | 28,093 |

EVENTS SUBSEQUENT TO REPORTING DATE

On 18 August 2020, the Company announced the exercise of 12,500,000 unlisted options at \$0.005 per share, raising \$62,500.

On 21 August 2020, the Company announced the exercise of 10,000,000 unlisted options at \$0.005 per share, raising \$50,000.

On 28 August 2020, the Company announced that the planned Heli-ElectroMagnetic (Heli-EM) survey at the Koojan Cu-Ni-PGE Project has commenced and is targeting areas of mapped mafic-ultramafic intrusive rocks and areas of identified anomalous Ni-Cu-PGE mineralisation.

No other matters or circumstances has arisen since 30 June 2020 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- (i) the consolidated entity's operations, or
- (ii) the results of those operations, or
- (iii) the consolidated entity's state of affairs.

INDEMNITY OF DIRECTORS AND COMPANY SECRETARY

Deeds of Access and Indemnity have been executed by the parent entity with each of the current directors and Company Secretary. The deeds require the Company to indemnify each director and the Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the director or Company Secretary pursuant to, or arising from or in any way connected with the director or Company Secretary being an Officer of the Company or its subsidiaries.

REMUNERATION REPORT

The Remuneration Report is set out on pages 15 to 19 and forms part of this Directors' Report.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

LIKELY DEVELOPMENTS

In line with the objectives set out in the Company's recapitalisation prospectus, the Board of Directors intend to undertake exploration activities at the wholly owned Princhester Magnesite project. Additionally, the Company has allocated part of its working capital budget to the identification and evaluation of new mineral resource opportunities in Australia and overseas, undertaking a review of a range of opportunities during the year.

The Company will also consider the acquisition and development of any other investments, both within the mining industry and in market segments unrelated to the mining industry.

OPERATING AND FINANCIAL REVIEW

An operating and financial review for the period is set out on pages 3 to 9 and forms part of this Directors' Report.

DIRECTORS' INTERESTS

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

| | 2020 | | | 2019 | | |
|----------------------|-----------------|---------------|--------------------|-----------------|---------------|--------------------|
| | Ordinary shares | Share Options | Performance Rights | Ordinary shares | Share Options | Performance Rights |
| <i>G Steinepreis</i> | 78,000,000 | 32,500,000 | - | 78,000,000 | 32,500,000 | - |
| <i>K Eckhof</i> | 20,000,000 | - | 80,000,000 | 20,000,000 | - | 80,000,000 |
| <i>B Aylward</i> | 2,000,000 | 2,500,000 | - | 2,000,000 | 2,500,000 | - |
| <i>D Smith</i> | 5,000,000 | 2,500,000 | - | 5,000,000 | 2,500,000 | - |

SHARES UNDER OPTION

The following unissued ordinary shares of the Company are under option:

| <i>Expiry Date</i> | <i>Exercise price</i> | <i>Balance at start of year</i> | <i>Issued during the year</i> | <i>Cancelled/ lapsed during the year</i> | <i>Balance at the end of the year</i> |
|--------------------|-----------------------|---------------------------------|-------------------------------|--|---------------------------------------|
| 31/12/2021 | 0.5 cents | 105,000,000 | - | - | 105,000,000 |

PERFORMANCE RIGHTS

The following performance rights of the Company are issued:

| <i>Expiry Date</i> | <i>Balance at start of year</i> | <i>Issued during the year</i> | <i>Cancelled/ lapsed during the year</i> | <i>Balance at the end of the year</i> |
|--------------------|---------------------------------|-------------------------------|--|---------------------------------------|
| 04/09/2021 | - | 80,000,000 | - | 80,000,000 |

As at the date of this report the Company has 80,000,000 performance rights held with the following performance conditions:

- 20,000,000 convertible upon the Company achieving a 20 day Volume Weighted Average Price ('VWAP') of 2.5 cents per share;
- 20,000,000 convertible upon the Company achieving a 20 day VWAP of 4 cents per share;
- 20,000,000 convertible upon the Company achieving a 20 day VWAP of 5 cents per share; and
- 20,000,000 convertible upon the Company achieving a 20 day VWAP of 6.5 cents per share.

Subject to achievement of the performance conditions one share will be issued for each performance right that has vested on the same terms and conditions as the Company's issued shares and will rank equally with all other issued shares from the issue date.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of compensation

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- (i) competitiveness and reasonableness;
- (ii) acceptability to shareholders;
- (iii) performance linkage / alignment of executive compensation;
- (iv) transparency; and
- (v) capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:

- (i) focuses on sustained growth in shareholder wealth;
- (ii) attracts and retains high calibre executives;
- (iii) rewards capability and experience; and
- (iv) provides a clear structure for earning rewards.

Use of remuneration consultants

The Company did not engage remuneration consultants during the current or prior financial year.

Voting and comments made at the Company's Annual General Meeting

The Company received evidence 97.25% of "yes" proxy votes on its remuneration report for the 2019 financial year, inclusive of discretionary proxy votes. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

AGREEMENTS IN RESPECT OF CASH REMUNERATION OF DIRECTORS:

Executive Director

Klaus Eckhof

Mr Klaus Eckhof and the Company entered into an executive services agreement dated 11 August 2018, pursuant to which the Company will pay Mr Eckhof an annual fee of \$90,000 as an executive director of the Company. From 1 March 2020 this was reduced to \$24,000 per annum.

Non-executive Directors

The Company's constitution provides that the Non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate sum determined by a general meeting. The aggregate remuneration has been set at an amount of \$325,000 per annum.

Mr Gary Steinepreis is on a contract dated 7 August 2018, which provides for a fixed fee of \$2,000 per month.

Mr Bernard Aylward is on a contract dated 7 August 2018, which provides for a fixed fee of \$2,000 per month.

Mr Daniel Smith (through Minerva Corporate Pty Ltd) is on a contract dated 7 August 2018 which provides for a fixed fee of \$2,000 per month.

Loans to and other transactions with key management personnel

Lachlan Star Limited director and company secretary, Mr Daniel Smith, is a director of Minerva Corporate Pty Ltd. Minerva Corporate Pty Ltd provided accounting consultancy and company secretarial services to Lachlan Star Limited. Payments to Minerva Corporate Pty Ltd during the period total \$48,674 (2019: \$48,000).

The transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Current trade and other payables include \$6,665 (2019: \$18,562) to key management personnel at reporting date in respect of outstanding fees and termination expenses.

The consolidated entity did not have any other loans or transactions with related parties during the current year.

Directors' and other key management personnel remuneration, Company and consolidated entity

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named Company and consolidated entity key management personnel receiving the highest remuneration are as follows:

| 2020 | | | | | | | |
|--------------------------|---------------------------------|-------------------------------------|--|---|----------------|--|---|
| Name | Short term salary and fees (\$) | Share based payments - options (\$) | Share based payments – performance rights (\$) | Post-employment (superannuation contributions) (\$) | Total (\$) | Proportion of remuneration performance related (%) | Value of options as a % of remuneration (%) |
| Directors | | | | | | | |
| Mr G Steinepreis | 24,000 | - | - | - | 24,000 | - | - |
| Mr B Aylward | 24,000 | - | - | - | 24,000 | - | - |
| Mr D Smith | 24,000 | - | - | - | 24,000 | - | - |
| Mr K Eckhof | 68,000 | - | 90,311 | - | 158,311 | 57.05% | - |
| Company Secretary | | | | | | | |
| Mr D Smith | 24,000 | - | - | - | 24,000 | - | - |
| Total | 164,000 | - | 90,311 | - | 254,311 | - | - |

| 2019 | Short term salary and fees (\$) | Share based payments - options (\$) | Share based payments – performance rights (\$) | Post-employment (superannuation contributions) (\$) | Total (\$) | Proportion of remuneration performance related (%) | Value of options as a % of remuneration (%) |
|--------------------------|---------------------------------|-------------------------------------|--|---|----------------|--|---|
| Directors | | | | | | | |
| Mr G Steinepreis | 24,000 | - | - | - | 24,000 | - | - |
| Mr B Aylward | 27,000 | - | - | - | 27,000 | - | - |
| Mr D Smith | 24,000 | - | - | - | 24,000 | - | - |
| Mr K Eckhof | 78,750 | - | 55,026 | - | 133,776 | 41.13% | - |
| Company Secretary | | | | | | | |
| Mr D Smith | 22,000 | - | - | - | 22,000 | - | - |
| Total | 175,750 | - | 55,026 | - | 230,776 | - | - |

Notes

(i) Director and other key management personnel fees are paid to the individual or their related entity

Share options

The movement during the reporting period in the number of options in Lachlan Star Limited held, directly, indirectly or beneficially by each key management person are as follows. All share options on issue at 30 June 2019 were vested and exercisable at that date.

No options over unissued ordinary shares of the Company were issued in the prior period. The following options over unissued ordinary shares of the Company were granted to key management personnel during the period:

| 2020 | Opening Balance | Received as Remuneration | Received During Year on Exercise of Options | Net Change Other | Closing Balance |
|----------------------|-------------------|--------------------------|---|------------------|-------------------|
| Directors | | | | | |
| <i>G Steinepreis</i> | 32,500,000 | - | - | - | 32,500,000 |
| <i>B Aylward</i> | 2,500,000 | - | - | - | 2,500,000 |
| <i>D Smith</i> | 2,500,000 | - | - | - | 2,500,000 |
| <i>K Eckhof</i> | - | - | - | - | - |
| Total | 37,500,000 | - | - | - | 37,500,000 |

| 2019 | Opening Balance | Received as Remuneration | Received During Year on Exercise of Options | Net Change Other | Closing Balance |
|----------------------|-------------------|--------------------------|---|------------------|-------------------|
| Directors | | | | | |
| <i>G Steinepreis</i> | 32,500,000 | - | - | - | 32,500,000 |
| <i>B Aylward</i> | 2,500,000 | - | - | - | 2,500,000 |
| <i>D Smith</i> | 2,500,000 | - | - | - | 2,500,000 |
| <i>K Eckhof</i> | - | - | - | - | - |
| Total | 37,500,000 | - | - | - | 37,500,000 |

No options have been granted since the end of the financial year, nor have any options held by key management personnel been exercised during or since the end of the reporting period. During the reporting period there was no forfeiture or vesting of options granted in previous periods.

The movement during the current and prior reporting period, by value, of options over ordinary shares for key management personnel and granted as part of their remuneration is detailed below:

| 2020 | Value of Options | | | | |
|----------------------|----------------------|------------------------|------------------------|----------------------------------|--------------------------|
| | Granted in year (\$) | Exercised in year (\$) | Forfeited in year (\$) | Cancelled / expired in year (\$) | Total value in year (\$) |
| <i>G Steinepreis</i> | - | - | - | - | - |
| <i>B Aylward</i> | - | - | - | - | - |
| <i>D Smith</i> | - | - | - | - | - |
| <i>K Eckhof</i> | - | - | - | - | - |
| | - | - | - | - | - |

Performance Rights

During the year Mr Eckhof was issued performance rights incentives for his work and ongoing commitment and contribution to the Company.

The performance rights were issued in four tranches, each with different performance milestones. Details of the performance rights issued are as follows:

| Tranche | Director and Other KMP | Number Issued | Grant Date | Expected Date of Milestone Achievements | Underlying Share Price on Grant Date (\$) | Total Fair Value (\$) |
|---------|------------------------|-------------------|------------|---|---|-----------------------|
| 1 | Mr Eckhof | 20,000,000 | 04/09/18 | 04/09/21 | 0.010 | 98,239 |
| 2 | Mr Eckhof | 20,000,000 | 04/09/18 | 04/09/21 | 0.010 | 69,826 |
| 3 | Mr Eckhof | 20,000,000 | 04/09/18 | 04/09/21 | 0.010 | 57,550 |
| 4 | Mr Eckhof | 20,000,000 | 04/09/18 | 04/09/21 | 0.010 | 44,578 |
| | | 80,000,000 | | | | 270,193 |

The performance milestones attached with each of the tranches are detailed below:

- 20,000,000 convertible upon the Company achieving a 20 day Volume Weighted Average Price ('VWAP') of 2.5 cents per share;
- 20,000,000 convertible upon the Company achieving a 20 day VWAP of 4 cents per share;
- 20,000,000 convertible upon the Company achieving a 20 day VWAP of 5 cents per share; and
- 20,000,000 convertible upon the Company achieving a 20 day VWAP of 6.5 cents per share.

Refer to Note 16 for further details in respect to the performance rights granted

Ordinary Shares

The movement during the reporting period in the number of ordinary shares in Lachlan Star Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2020

| Directors | Opening Balance | Net acquired / (disposed) | Granted as compensation | Net Change Other | Closing Balance |
|----------------------|--------------------|------------------------------|----------------------------|---------------------|--------------------|
| <i>G Steinepreis</i> | 78,000,000 | - | - | - | 78,000,000 |
| <i>B Aylward</i> | 2,000,000 | - | - | - | 2,000,000 |
| <i>D Smith</i> | 5,000,000 | - | - | - | 5,000,000 |
| <i>K Eckhof</i> | 20,000,000 | - | - | - | 20,000,000 |
| Total | 105,000,000 | - | - | - | 105,000,000 |

2019

| Directors | Opening Balance | Net acquired / (disposed) | Granted as compensation | Net Change Other | Closing Balance |
|----------------------|-------------------|------------------------------|----------------------------|---------------------|--------------------|
| <i>G Steinepreis</i> | 78,000,000 | - | - | - | 78,000,000 |
| <i>B Aylward</i> | 2,000,000 | - | - | - | 2,000,000 |
| <i>D Smith</i> | 5,000,000 | - | - | - | 5,000,000 |
| <i>K Eckhof</i> | - | - | - | 20,000,000 | 20,000,000 |
| Total | 85,000,000 | - | - | - | 105,000,000 |

No ordinary shares were granted to key management personnel during the current or prior periods.

End of Audited Remuneration Report

Signed in accordance with a resolution of the directors.



Mr Daniel Smith
Perth, Western Australia
18 September 2020

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(WA) Pty Ltd**

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Partner for the audit of the financial statements of Lachlan Star Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Partner

Dated at Perth this 18th day of September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | 30-Jun-20 \$ | 30-Jun-19 \$ |
|--|--------------|------------------|------------------|
| Revenue from continuing operations | | | |
| Finance income | | 3,406 | 7,797 |
| Expenses | | | |
| Corporate compliance and management | | (224,769) | (228,352) |
| Other expenses | | (85,221) | (131,414) |
| Project evaluation fees | 8 | (50,000) | (12,504) |
| Finance expense | | (207) | (201) |
| Share based payment expense | | (90,311) | (55,026) |
| Loss from continuing operations before income tax | | (447,102) | (419,700) |
| Income tax expense | 3 | - | - |
| Loss from continuing operations after income tax | 14(c) | (447,102) | (419,700) |
| Other comprehensive loss for the year, net of tax | | - | - |
| Total comprehensive loss for the year | | (447,102) | (419,700) |
| | | | |
| Loss per share from continuing operations attributable to the ordinary equity holders of the Company: | | | |
| | | <u>Cents</u> | <u>Cents</u> |
| Basic and diluted loss per share | 2 | (0.06) | (0.06) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

| | | 30-Jun-20 | 30-Jun-19 |
|-------------------------------------|--------------|------------------|------------------|
| | Note | \$ | \$ |
| Current Assets | | | |
| Cash & cash equivalents | 10(b) | 1,782,182 | 1,593,617 |
| Trade & other receivables | 5 | 48,268 | 104,506 |
| Total Current Assets | | 1,830,450 | 1,698,123 |
| Non-Current Assets | | | |
| <i>Exploration & Evaluation</i> | | 33,607 | 11,598 |
| Total Non-Current Assets | | 33,607 | 11,598 |
| TOTAL ASSETS | | 1,864,057 | 1,709,721 |
| Current Liabilities | | | |
| Trade & other payables | 6 | 73,988 | 32,111 |
| Total Current Liabilities | | 73,988 | 32,111 |
| TOTAL LIABILITIES | | 73,988 | 32,111 |
| NET ASSETS | | 1,790,069 | 1,677,610 |
| Equity | | | |
| Contributed equity | 14(a) | 3,794,804 | 3,325,554 |
| Reserves | 14(b) | 544,337 | 454,026 |
| Accumulated losses | 14(c) | (2,549,072) | (2,101,970) |
| TOTAL EQUITY | | 1,790,069 | 1,677,610 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued Capital \$ | Share- based Payment Reserve \$ | Options Premium Reserve \$ | Accumulated Losses \$ | Total \$ |
|--|-------------------------|---|-------------------------------------|-----------------------------|------------------|
| At 1 July 2019 | 3,325,554 | 55,026 | 399,000 | (2,101,970) | 1,677,610 |
| Loss for the year | - | - | - | (447,102) | (447,102) |
| Total comprehensive loss for the year | - | - | - | (447,102) | (447,102) |
| Transactions with owners in their capacity as owners: | | | | | |
| Share-based payment – performance share | - | 90,311 | - | - | 90,311 |
| Shares issued (net of costs) | 469,250 | - | - | - | 469,250 |
| At 30 June 2020 | 3,794,804 | 145,337 | 399,000 | (2,549,072) | 1,790,069 |
| | | | | | |
| | Issued Capital \$ | Share- based Payment Reserve \$ | Options Premium Reserve \$ | Accumulated Losses \$ | Total \$ |
| At 1 July 2018 | 3,325,554 | - | 399,000 | (1,682,270) | 2,042,284 |
| Loss for the year | - | - | - | (419,700) | (419,700) |
| Total comprehensive loss for the year | - | - | - | (419,700) | (419,700) |
| Transactions with owners in their capacity as owners: | | | | | |
| Share-based payment – performance share | - | 55,026 | - | - | 55,026 |
| At 30 June 2019 | 3,325,554 | 55,026 | 399,000 | (2,101,970) | 1,677,610 |

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

| | <i>Note</i> | 30-Jun-20 \$ | 30-Jun-19 \$ |
|--|-------------|------------------|------------------|
| Cash Flows from Operating Activities | | | |
| Payments to Suppliers and Employees | | (159,098) | (424,391) |
| Interest Received | | 3,406 | 7,797 |
| Net Cash Outflow from Operating Activities | 10 | (155,692) | (416,594) |
| Cash Flow from Investing | | | |
| Exploration and Evaluation expenditure | | (124,993) | (11,958) |
| Net Cash Outflow from Investing Activities | | (124,993) | (11,958) |
| Cash Flows from Financing Activities | | | |
| Contributed Equity | | 500,000 | - |
| Cost of Capital | | (30,750) | - |
| Net Cash Inflow from Financing Activities | | 469,250 | - |
| Net Increase/(Decrease) In Cash and Cash Equivalents | | 188,565 | (428,552) |
| Cash and Cash Equivalents at beginning of Year | | 1,593,617 | 2,022,742 |
| Effects of Exchange Rate Changes | | - | (573) |
| Cash and Cash Equivalents at end of Year | 10 | 1,782,182 | 1,593,617 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Lachlan Star Limited and its subsidiaries.

(A) BASIS OF PREPARATION

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards (“AASs”) (including Australian Accounting Interpretations), as adopted by the Australian Accounting Standards Board (“AASB”), other authoritative pronouncements of the AASB, Urgent Issues Group Interpretations, and the Corporations Act 2001. Lachlan Star Limited is a for-profit entity for the purposes of preparing the financial statements. Compliance with Australian Accounting Standards ensures that the consolidated financial report of Lachlan Star Limited complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The functional and presentation currency of the Company is Australian dollars. The financial report was authorised for issue by the board of on 18 September 2020. Lachlan Star Limited is a company limited by shares, incorporated and domiciled in Australia.

BASIS OF MEASUREMENT

The financial report is prepared on a historical cost basis as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors are satisfied that there is sufficient capital to meet current estimated expenditure commitments and working capital requirements, the expenditure requirements will increase as the project progresses to the extent that may lead to the requirement to access additional funding.

Use of estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF PREPARATION (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are:

(i) Functional currency

Companies in the consolidated entity have to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that management has to analyse several factors, including which currency mainly influences sales prices of product sold by the entity, which currency influences the main expenses of providing services, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities.

For Lachlan Star Limited and its subsidiaries management have determined that the Australian dollar is the functional currency for those companies given their recurring revenue and expenditure is mostly in Australian dollars.

(ii) Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(B) PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial report comprises the financial statements of the Company and its controlled entities. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. All inter-company balances and transactions between entities in the consolidated entity, including any unrealized profits or losses, have been eliminated on consolidation. Where a subsidiary enters or leaves the consolidated entity during the year, its operating results are included or excluded from the date control was obtained or until the date control ceased. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those applied by the parent entity.

(C) RECEIVABLES

Trade and other receivables are initially stated at fair value and subsequently measured at amortized cost, less impairment losses. Trade receivables comprise amounts due from customers for metal sales in the ordinary course of business.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognized within other expenses in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognized becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) EARNINGS PER SHARE

The consolidated entity presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options granted.

(E) SHARE BASED PAYMENTS

Fair value of shares and share options granted as compensation is recognized as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognized over the period during which the grantees become unconditionally entitled to the shares or share options. Fair value of share grants at grant date is determined by the share price at that time. The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. Upon the exercise of the option, the balance of the share-based payments reserve relating to the option is transferred to contributed equity. There are no non-market conditions attached to share options granted.

The fair value of performance rights at grant date is determined using a Monte Carlo simulation model that takes into account the exercise price, the term of the right, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the right. Upon the vesting of the right, the balance of the share-based payments reserve relating to the right is transferred to contributed equity. There are no non-market conditions attached to performance rights granted.

(F) INCOME TAX

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit or loss except where it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is considered probable.

(G) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The cash flow statement discloses the GST component of investing and financing activities as operating cash flows.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) EMPLOYEE BENEFITS

Provision is made for the consolidated entity's liability for employee benefits and termination indemnities arising from services rendered by employees to balance date.

(i) Share-based payments

Share-based compensation in the form of options is measured using an option pricing model and is expensed or charged to contributed equity over the vesting period of the options with a corresponding credit to the share based payments reserve.

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(J) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

(K) FOREIGN CURRENCY

(i) Functional and presentation currency

The functional currency of each of the consolidated entity's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance sheet date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in profit or loss.

(L) TRADE AND OTHER PAYABLES

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost. The amounts are unsecured and usually paid within 90 days of recognition.

(M) COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(O) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16 Leases;

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. Based on the current assessment, if the new standard was applied to the current year 30 June 2019, there would be no effect on the statement of financial position or statement of profit or loss and other comprehensive income.

Impact on adoption of AASB 16

All Group leases have a term of less than 12 months or relate to low value assets and the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Therefore, the adoption of AASB 16 resulted in the recognition of right-of-use assets of \$nil and lease liabilities of \$nil in respect of all operating leases.

The net impact on accumulated losses on 1 July 2019 was \$nil.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Lachlan Star Limited, disclosed in Note 11 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Lachlan Star Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation

The Company and its wholly-owned Australian resident-controlled entities have formed a tax-consolidated group and are therefore taxed as a single entity. Lachlan Star Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(Q) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(R) PROVISIONS

Provisions are recognized when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(S) CONTINGENCIES

Contingent liabilities are defined as possible obligations resulting from past events whose existence depends on future events, obligations that are not recognised because it is not probable that they will lead to an outflow of resources, or obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the statement of financial position other than as part of a business combination, but are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

(T) FINANCIAL INSTRUMENTS

(i) Classification of financial instruments

The Group classifies its financial assets into the following measurement categories:

- those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities

(ii) Financial assets measured at amortised cost

Debt instruments

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described below in note (c) Impairment of financial assets.

(a) Financial assets measured at fair value through other comprehensive income

Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which AASB 3 "Business Combination" applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) FINANCIAL INSTRUMENTS (CONTINUED)

(b) Items at fair value through profit or loss Items at fair value through profit or loss comprise:

- items held for trading;
- items specifically designated as fair value through profit or loss on initial recognition; and
- debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

Financial instruments held for trading

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Financial instruments designated as measured at fair value through profit or loss

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- if a host contract contains one or more embedded derivatives; or
- if financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

(c) Impairment of financial assets

The Group applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

- debt instruments measured at amortised cost and fair value through other comprehensive income;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognised on equity investments.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) FINANCIAL INSTRUMENTS (CONTINUED)

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are Grouped on the basis of shared credit risk characteristics, considering instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

(d) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and receivables are recognised when cash is advanced (or settled) to the borrowers.

Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

The Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

A financial liability is derecognised from the balance sheet when the Group has discharged its obligation or the contract is cancelled or expires.

(e) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

(U) EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs are capitalised as exploration and evaluation assets on a project by project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired.

When a licence is relinquished or a project abandoned, the related costs are recognised in the Statement of profit or loss and other comprehensive Income immediately.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount an impairment loss is recognised in the Statement of Comprehensive Income.

2. EARNINGS PER SHARE

| | 30-Jun-20 | 30-Jun-19 |
|--|-------------|-------------|
| | \$ | \$ |
| Loss attributable to ordinary shareholders | (447,102) | (419,700) |
| Weighted average number of ordinary shares | 754,139,636 | 753,865,663 |
| Basic loss per share (cents per share) | (0.06) | (0.06) |

All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive in the calculation of the diluted loss per share as the exercise of the options would not increase the loss per share.

3. INCOME TAX BENEFIT

| (a) Income tax expense: | 30-Jun-20 | 30-Jun-19 |
|----------------------------|-----------|-----------|
| | \$ | \$ |
| Current income tax | - | - |
| Deferred income tax | - | - |
| Current income tax benefit | - | - |
| | - | - |

(b) Reconciliation of Income tax expense to prima facie tax payable:

| | | |
|--|-----------|-----------|
| Loss before income tax | (447,102) | (419,700) |
| Prima facie income tax at 30% (2019: 30%) | (134,131) | (125,910) |
| Revenue losses not recognised | 94,117 | 167,265 |
| Other deferred tax balances not recognised | (12,897) | (64,237) |
| Other non-allowable items | 27,117 | 22,882 |
| Other non-assessable items | - | - |
| Income tax expense | - | - |

(c) Unrecognised deferred tax assets at 30% (2019: 30%):

| | | |
|------------------------------|---------|---------|
| Carry forward revenue losses | 365,072 | 439,649 |
| Project evaluation fees | 15,000 | - |
| Capital raising costs | 7,380 | 191,441 |
| Provisions and accruals | 3,000 | 3,000 |
| Other | 818 | 1,076 |
| | 391,270 | 635,166 |

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits.

4. AUDITORS' REMUNERATION

| | 30-Jun-20 | 30-Jun-19 |
|---|---------------|---------------|
| | \$ | \$ |
| Amounts received or due and receivable by Bentleys Audit & Corporate (WA) Pty Ltd for: | | |
| An audit or review of the financial report of the entity | 16,750 | 13,093 |
| Amounts received or due and receivable by PWC (WA) Audit Pty Ltd for: | | |
| An audit or review of the financial report of the entity | - | 15,000 |
| Total audit services provided to the Group | 16,750 | 28,093 |

5. TRADE AND OTHER RECEIVABLES

| | 30-Jun-20 | 30-Jun-19 |
|---|---------------|----------------|
| | \$ | \$ |
| Current | | |
| Other receivables and prepayments - third parties | 48,268 | 104,506 |
| | 48,268 | 104,506 |

Trade and other receivables are non-interest-bearing and are not past due.

6. TRADE AND OTHER PAYABLES

| | 30-Jun-20 | 30-Jun-19 |
|---|---------------|---------------|
| | \$ | \$ |
| Current | | |
| Trade payables – third parties | 11,988 | 22,111 |
| Non-trade payables and accrued expenses – third parties | 62,000 | 10,000 |
| | 73,988 | 32,111 |

Trade and other payables are non-interest-bearing liabilities stated at cost and are predominantly settled within 30 days.

The carrying amounts of trade and other payable are assumed to be the same as their fair values, due to their short-term nature.

7. RELATED PARTY DISCLOSURES

Lachlan Star Limited is the ultimate parent entity.

TRANSACTIONS WITH OTHER RELATED PARTIES

Lachlan Star Limited director and company secretary, Mr Daniel Smith, is a director of Minerva Corporate Pty Ltd. Minerva Corporate Pty Ltd provided company secretarial and accounting consultancy services to Lachlan Star Limited. Payments to Minerva Corporate Pty Ltd during the period total \$48,674 (2019: \$48,000). An amount of \$6,665 was included in trade payables at 30 June 2020.

Refer to note 16 for performance shares issued to Mr K Eckhof.

Refer to note 17 for key management personnel compensation which is further disclosed in the remuneration report.

The transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

8. CAPITAL COMMITMENTS

On 26 June 2020, the Group entered into a 6 month option agreement with the owners of Coobaloo Minerals Pty Limited ("the Seller"), to acquire the Koojan Project.

The Company paid a \$50,000 option fee and, subject to a minimum exploration spend of \$60,000, is entitled to exercise the option to acquire an initial 50% of the Koojan Project.

The Group may exercise the option at any time during the option period, subject to the following conditions precedent:

- 1) Consideration shares: Lachlan Star Limited to issue 82,500,000 ordinary fully paid shares;
- 2) Performance milestones: Subject to the Group delineating a JORC Indicated Resource (as defined in JORC 2012) of 50,000t of greater than 2.5% Ni Equivalent (including Ni, Cu & Co) at the Project, the Group at its discretion will make a milestone payment of AUD\$600,000 in cash or ordinary shares at the 14-day VWAP;
- 3) Free-Carry: In the event the Group has met the Additional Expenditure Commitment, it will free-carry the Seller's 25% retained interest through to completion of Bankable Feasible Study.
- 4) Net Smelter Royalty: On and from settlement, the Group will grant to the Seller a net smelter royalty of 1% payable in respect of all precious, industrial minerals and base metals produced, sold and proceeds received from the Project (NSR) which will be documented in a net smelter royalty agreement (NSR Agreement) to be agreed between the Parties (acting reasonably).
- 5) Conversion of retained interest: Following completion of the Free Carry Period, the Seller will have a one-time right to elect to convert their retained interest to an additional 1% NSR. If the Seller decides not to convert their retained interest to an NSR, they shall co-fund their portion of Project expenditure or dilute using the AMPLA standard dilution clause.

The Group has the ability to acquire an additional 25% of the Seller's taking the total to 75% by way of spending AUD\$350,000 on the Project within 18 months from the 26 June 2020.

9. SEGMENT INFORMATION

A. Identification of reporting segments

The Company identifies operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report is the same information that is reviewed by the directors. The Company has currently no identifiable operating segments, other than exploration in Australia.

10. RECONCILIATION OF (LOSS) AFTER INCOME TAX TO NET CASH FLOWS USED IN OPERATING ACTIVITIES

| | 30-Jun-20 \$ | 30-Jun-19 \$ |
|---|------------------|------------------|
| (a) Cash flows generated used in operating activities | | |
| Net loss after income tax | (447,102) | (419,700) |
| Non- Cash Items adjustment | | |
| Share-based payments – performance share | 90,311 | 55,026 |
| Share-based payments – creditors trust shares issued | - | - |
| Exploration expenditure | 145,483 | - |
| Changes in assets and liabilities: | | |
| (Increase) / decrease in receivables | 63,739 | (28,804) |
| Increase / (decrease) in payables | (8,123) | (23,116) |
| Net cash outflow from operating activities | (155,692) | (416,594) |
| (b) Reconciliation of cash and cash equivalents | | |
| Cash at bank and at call | 1,782,182 | 1,593,617 |
| (c) Non-cash financing and investing activities | | |

The consolidated entity's exposure to interest rate risk is discussed in Note 19. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

11. PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

| | 30-Jun-20 | 30-Jun-19 |
|---|------------------|------------------|
| | \$ | \$ |
| Current Assets | 1,830,450 | 1,698,123 |
| Non-Current Assets | 33,607 | 11,598 |
| Total Assets | 1,864,057 | 1,709,721 |
| Current Liabilities | 73,988 | 32,111 |
| Total liabilities | 73,988 | 32,111 |
| Contributed equity | 3,794,804 | 3,325,554 |
| Reserves | 544,337 | 454,026 |
| Accumulated losses | (2,549,072) | (2,101,970) |
| Net Assets/(Liabilities) | 1,790,069 | 1,677,610 |
| Profit/(Loss) for the year | (447,102) | (419,700) |
| Total comprehensive profit/(loss) for the year | (447,102) | (419,700) |

The parent entity did not have any contingent liabilities or capital commitments as at 30 June 2020 or 30 June 2019.

The Company and its wholly-owned Australian resident-controlled entities have formed a tax-consolidated group and are therefore taxed as a single entity. Lachlan Star Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

12. CONSOLIDATED ENTITIES

| Name | Country of incorporation | 2020 | 2019 |
|---------------------------|---------------------------------|-------------|-------------|
| Legal Parent | | | |
| Lachlan Star Limited | Australia | | |
| Legal Subsidiaries | | | |
| Ord Investments Pty Ltd | Australia | 100% | 100% |

13. EVENTS SUBSEQUENT TO REPORTING DATE

On 18 August 2020, the Company announced the exercise of 12,500,000 unlisted options at \$0.005 per share, raising \$62,500.

On 21 August 2020, the Company announced the exercise of 10,000,000 unlisted options at \$0.005 per share, raising \$50,000.

On 28 August 2020, the Company announced that the planned Heli-ElectroMagnetic (Heli-EM) survey at the Koojan Cu-Ni-PGE Project has commenced and is targeting areas of mapped mafic-ultramafic intrusive rocks and areas of identified anomalous Ni-Cu-PGE mineralisation.

No other matters or circumstances has arisen since 30 June 2020 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years (i) the consolidated entity's operations, or (ii) the results of those operations, or (iii) the consolidated entity's state of affairs.

14. CAPITAL AND RESERVES

(A) CONTRIBUTED EQUITY:

| | 30-Jun-20 Number | 30-Jun-20 \$ | 30-Jun-19 Number | 30-Jun-19 \$ |
|---------------------------------------|---------------------|------------------|---------------------|------------------|
| Ordinary shares | | | | |
| Balance at the beginning of the year | 753,865,663 | 3,325,554 | 753,865,663 | 3,325,554 |
| Shares issued during the year | 100,000,000 | 500,000 | - | - |
| Consolidation of share capital | - | - | - | - |
| Reduction in share capital | - | - | - | - |
| Share capital raising costs | - | (30,750) | - | - |
| Balance at the end of the year | 853,865,663 | 3,794,804 | 753,865,663 | 3,325,554 |

Ordinary shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and in the event of a winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held. Ordinary shares have been fully paid, have no par value, and the Company does not have a limited amount of authorized capital.

(B) OPTIONS PREMIUM RESERVE

Movements in the options premium reserve are set out in the statement of changes in equity on page 23. This reserve represents the fair value at grant of share options issued. The fair value is recognized as an expense over the vesting period. The reserve is reversed to contribute equity when shares are issued on exercise of the options or when the options are cancelled or expire. Refer to note 16 for details of these plans.

(C) ACCUMULATED LOSSES

| | 30-Jun-20 \$ | 30-Jun-19 \$ |
|--|--------------------|--------------------|
| Accumulated losses at the beginning of the financial year | (2,101,970) | (1,682,270) |
| Loss for the period | (447,102) | (419,700) |
| Accumulated losses at the end of the financial year | (2,549,072) | (2,101,970) |

15. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or contingent liabilities at 30 June 2020 or 30 June 2019.

16. SHARE BASED PAYMENTS

OPTIONS GRANTED DURING THE YEAR

Total options granted during the year was nil (2019: nil).

The number and weighted average exercise price of share options is as follows:

| | 2020 | 2020 | 2020 | 2019 | 2019 | 2019 |
|--|---------------------------------|-------------------|-------------|---------------------------------|-------------------|-------------|
| | Weighted average exercise price | Number of Options | Expiry date | Weighted average exercise price | Number of Options | Expiry date |
| Outstanding 1 July | 0.5 cents | 105,000,000 | 31 Dec 2021 | 0.5 cents | 105,000,000 | 31 Dec 2021 |
| Expired/cancelled during the period issued | - | - | - | - | - | - |
| Issued during the period | - | - | - | - | - | - |
| Outstanding at 30 June | 0.5 cents | 105,000,000 | 31 Dec 2021 | 0.5 cents | 105,000,000 | 31 Dec 2021 |

105,000,000 listed options were issued during 2018 to the Deed of Company Administration proponents. The options have an exercise price of 0.5 cents each and expire on 31 December 2021. The option value was calculated using the Black-Scholes Model. The value of the options has been determined using the Black-Scholes Model as they were issued in accordance with an agreement rather than on receipt of a vendor invoice. The option reserve records items recognised on valuation of director, employee and contractor share options as well as share options issued during the course of a business combination.

There are no other options on issue at 30 June 2020.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, considering the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

| | |
|----------------------------------|--------|
| Dividend Yield | - |
| Expected volatility (%) | 120 |
| Risk-free interest rate (%) | 1.5 |
| Expected life of options (years) | 3.6 |
| Option exercise price | 0.005 |
| Share price at grant date | 0.005 |
| Value of option (\$) | 0.0038 |

16. SHARE BASED PAYMENTS (CONTINUED)

PERFORMANCE RIGHTS – KEY MANAGEMENT PERSONNEL – 4 SEPTEMBER 2018

On 4 September 2018, Lachlan Star Ltd issued 80,000,000 performance rights to management. The performance rights value was calculated using the Monte Carlo Method. These performance rights were issued in four tranches, each with different performance milestones. Each performance right will convert into 1 ordinary share of Lachlan Star Ltd upon achievement of the performance milestone.

The company has assessed tranche 1,2,3 and 4 as being probable of being achieved and have therefore recognised an expense over the expected vesting period.

The details of each class are tabled below:

| Tranche | Number Issued | Start Date | Expected Date of Milestone Achievements | Underlying Share Price on Grant Date (\$) | Total Fair Value (\$) |
|---------|---------------|------------|---|---|-----------------------|
| 1 | 20,000,000 | 04/09/18 | 04/09/21 | 0.010 | 98,239 |
| 2 | 20,000,000 | 04/09/18 | 04/09/21 | 0.010 | 69,826 |
| 3 | 20,000,000 | 04/09/18 | 04/09/21 | 0.010 | 57,550 |
| 4 | 20,000,000 | 04/09/18 | 04/09/21 | 0.010 | 44,578 |

These performance rights were valued at their grant dates at \$270,193. The amount expensed during the year in relation to these performance rights was \$90,311.

Performance milestones:

Tranche 1 performance rights are outstanding - Convertible upon the Company achieving a 20 day Volume Weighted Average Price ('VWAP') of 2.5 cents per share.

Tranche 2 performance rights are outstanding - Convertible upon the Company achieving a 20 day VWAP of 4 cents per share.

Tranche 3 performance rights are outstanding - Convertible upon the Company achieving a 20 day VWAP of 5 cents per share.

Tranche 4 performance rights are outstanding - Convertible upon the Company achieving a 20 day VWAP of 6.5 cents per share.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

| | 30-Jun-20 \$ | 30-Jun-19 \$ |
|----------------------|-----------------|-----------------|
| Short-term benefits | 164,000 | 175,750 |
| Share based Payments | 90,311 | 55,026 |
| | 254,311 | 230,776 |

Current trade and other payables of \$6,665 (2019: 18,562) were payable to key management personnel at reporting date in respect of outstanding fees and expenses.

18. FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to credit risk, market risk (including interest rate risk, foreign exchange risk and price risk), and liquidity risk. This note presents qualitative and quantitative information about the consolidated entity's exposure to each of the above risks, its objectives, policies and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The consolidated entity's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in interest rates and exchange rates, however these risks are currently negligible. The consolidated entity uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and ageing analysis for credit risk.

There are no formal targets set for return on capital. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(A) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated entity. Exposure to credit risk is considered minimal but is monitored on an ongoing basis.

Cash transactions are limited to financial institutions considered to have a suitable credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position at balance date. The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure.

None of the receivables as at 30 June 2020 are past due or impaired.

The consolidated entity's maximum exposure to credit risk at the reporting date was:

| | 30-Jun-20 \$ | 30-Jun-19 \$ |
|-----------------------------|------------------|------------------|
| Carrying amount: | | |
| Cash and cash equivalents | 1,782,182 | 1,593,617 |
| Trade and other receivables | 48,268 | 104,506 |
| | 1,830,450 | 1,698,123 |

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) MARKET RISK

(i) Cash flow and fair value interest rate risk

The significance and management of the risks to the consolidated entity is dependent on a number of factors including (i) interest rates (current and forward) and the currencies that are held; (ii) level of cash and liquid investments and borrowings; (iii) maturity dates of investments and loans; and (iv) proportion of investments and borrowings with fixed rate or floating rates.

The risk is managed by the consolidated entity maintaining an appropriate mix between fixed and floating rate investments. The consolidated entity's exposure to interest rate risk is considered minimal. The effective interest rates of financial assets and financial liabilities with interest obligations at the reporting date are as follows.

| | Variable rate instruments at call | Fixed rate instruments | Weighted average interest rate | Variable rate instruments at call | Fixed rate instruments | Weighted average interest rate |
|---------------------------|-----------------------------------|------------------------|--------------------------------|-----------------------------------|------------------------|--------------------------------|
| | 2020 (\$) | 2020 (\$) | 2020 | 2019 (\$) | 2019 (\$) | 2019 |
| Financial assets | | | | | | |
| Cash and cash equivalents | 1,782,182 | - | - | 1,593,617 | - | - |

The values above were the carrying amount of the consolidated entity's interest-bearing financial instruments at 30 June 2020 and 30 June 2019.

(ii) Foreign exchange risk

The consolidated entity's exposure to foreign exchange risk at statement of financial position date was as follows, based on carrying amounts in A\$:

| | 2020 Totals A\$ | 2019 Totals A\$ |
|-----------------------------|------------------|------------------|
| Cash and cash equivalents | 1,782,182 | 1,593,617 |
| Trade and other receivables | 48,268 | 104,506 |
| Trade and other payables | (73,988) | (32,111) |
| | 1,756,462 | 1,666,012 |

(iii) Price risk

There was no price risk in the current or prior period.

The consolidated entity is not exposed to equity securities price risk at 30 June 2020 or 30 June 2019.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) LIQUIDITY RISK

The following are the contractual maturities of consolidated financial liabilities:

| | 30-Jun-20 \$ | 30-Jun-19 \$ |
|---------------------------|-----------------|-----------------|
| Trade and other payables: | | |
| Carrying amounts | 73,988 | 32,111 |
| Contractual cashflows | 73,988 | 32,111 |
| Payable 6 months or less | 73,988 | 32,111 |

(D) FAIR VALUES

The carrying amounts of consolidated financial assets and financial liabilities shown in the statement of financial position approximate their fair values. The basis for determining fair values is disclosed in Note 1(t). AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

There were no financial assets and liabilities measured and recognised at fair value at 30 June 2020 or 30 June 2019.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Lachlan Star Limited:

- (a) the financial statements and notes set out on pages 21 to 44 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) subject to Note 1(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors.



Mr Daniel Smith
Perth, Western Australia
18 September 2020

Independent Auditor's Report

To the Members of Lachlan Star Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lachlan Star Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Exploration and Evaluation</p> <p>Exploration and evaluation is a key audit matter due to:</p> <ul style="list-style-type: none"> ➤ The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset. | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ➤ Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the consolidated entity holds an interest and the exploration programmes planned for those tenements. ➤ For each area of interest, we assessed the Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable; ➤ We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6; ➤ We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest. ➤ We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: <ul style="list-style-type: none"> ➤ the licenses for the right to explore expiring in the near future or are not expected to be renewed; ➤ substantive expenditure for further exploration in the specific area is neither budgeted or planned ➤ decision or intent by the Entity to discontinue activities in the specific area of interest due to |

| Key audit matter | How our audit addressed the key audit matter |
|------------------|---|
| | <p>lack of commercially viable quantities of resources; and</p> <ul style="list-style-type: none"> ▶ data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale. |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this

financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

To the Members of Lachlan Star Limited *(Continued)*



Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Lachlan Star Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

A stylized, handwritten signature of the word "Bentleys" in blue ink.

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that appears to read "Doug Bell".

DOUG BELL CA
Partner

Dated at Perth this 18th day of September 2020

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Limited (“ASX”) Listing Rules and not disclosed elsewhere in this report is set out below.

(A) SHAREHOLDINGS AS AT 15 SEPTEMBER 2020

SUBSTANTIAL SHAREHOLDERS

The following shareholders have lodged substantial shareholder notices with ASX:

| <i>Name of Shareholder</i> | Number of shares | % held |
|---|-------------------------|---------------|
| Croesus Mining Pty Ltd <Steinepreis Super Fund A/C> and <Second Super Fund A/C>, N&J Mitchell Holdings Pty Ltd <Mitchell Unit A/C>, Linda Louise Steinepreis, Carly Louise Steinepreis, Elizabeth Louise Steinepreis & Judith Elizabeth Steinepreis | 78,000,000 | 10.35% |
| Oakhurst Nominees Pty Ltd, Leisure West Consulting Pty Ltd & Gary Steinepreis | 78,000,000 | 10.35% |
| Talltree Holdings Pty Ltd, Talltree Holdings Pty Ltd <D Steinepreis Family A/C>, Talltree Holdings Pty Ltd <Nerd Family Super Fund>, Sarah Jessica Steinepreis, Hill Farm Donnybrook Pty Ltd | 55,600,000 | 7.37% |

VOTING RIGHTS

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

(A) SHAREHOLDINGS AS AT 15 SEPTEMBER 2020**TWENTY LARGEST SHAREHOLDERS**

| | <i>Name of Shareholder</i> | Number of shares | % held |
|-----|--|-----------------------------|---------------|
| 1. | CROESUS MINING PTY LTD <STEINEPREIS SUPER FUND A/C> | 45,000,000 | 5.13 |
| 2. | OAKHURST ENTERPRISES PTY LTD | 43,000,000 | 4.91 |
| 3. | DR ANDREAS FRIEDRICH REITMEIER | 40,000,000 | 4.56 |
| 4. | DR MANUELA REITMEIER | 39,000,000 | 4.45 |
| 5. | RANCHLAND HOLDINGS PTY LTD <R C STEINEPREIS FAMILY A/C> | 35,000,000 | 3.99 |
| 6. | MARK GASSON | 30,000,000 | 3.42 |
| 7. | LEISUREWEST CONSULTING PTY LTD <LEISUREWEST A/C> | 30,000,000 | 3.42 |
| 8. | MOUTIER PTY LTD | 30,000,000 | 3.42 |
| 9. | SUNSHORE HOLDINGS PTY LTD | 28,000,000 | 3.20 |
| 10. | VIMINALE PTY LTD | 27,454,500 | 3.13 |
| 11. | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 22,331,369 | 2.55 |
| 12. | MR KLAUS PETER ECKHOF | 20,000,000 | 2.28 |
| 13. | TALLTREE HOLDINGS PTY LTD <D STEINEPREIS FAMILY A/C> | 20,000,000 | 2.28 |
| 14. | DJ CARMICHAEL PTY LTD | 15,000,000 | 1.71 |
| 15. | REPLAY HOLDINGS PTY LTD <SUNSET SUPER FUND A/C> | 15,000,000 | 1.71 |
| 16. | SARAH JESSICA STEINEPREIS | 15,000,000 | 1.71 |
| 17. | CROESUS MINING PTY LTD <THE SECOND SUPER FUND A/C> | 14,814,216 | 1.69 |
| 18. | MRS LUCY KOPPES | 14,050,000 | 1.60 |
| 19. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 10,970,752 | 1.25 |
| 20. | MR JOHN HENDERSON MANSON + MRS KAREN ANN-MARIE MANSON <MAYFLOWER A/C> | 10,000,000 | 1.14 |
| | Total | 554,620,837 | 63.29 |

(A) SHAREHOLDINGS AS AT 15 SEPTEMBER 2020 (CONTINUED)

Distribution of equity security holders

| <i>Size of Holding</i> | | | <i>Number of shareholders</i> | <i>Number of fully paid shares</i> |
|------------------------|-----|---------|-------------------------------|------------------------------------|
| 1 | to | 1,000 | 1,065 | 185,699 |
| 1,001 | to | 5,000 | 153 | 376,472 |
| 5,001 | to | 10,000 | 42 | 314,333 |
| 10,001 | to | 100,000 | 158 | 7,999,151 |
| 100,001 | and | over | 336 | 867,490,008 |
| | | | 1,754 | 876,365,663 |

The number of shareholdings held in less than marketable parcels is 1,329.

(B) UNLISTED OPTION HOLDINGS AS AT 15 SEPTEMBER 2020

There are 82,500,000 unlisted options exercisable at \$0.005 each on or before 31 December 2021.

| <i>Options Exercisable at \$0.005 expiring 31/12/2021</i> | <i>% Interest</i> |
|---|-------------------|
| Gary Steinepreis | 39.39% |

(C) ON-MARKET BUYBACK

There is no current on-market buyback.

(D) INTEREST IN MINING AND EXPLORATION PERMITS

| <i>Exploration / Mining Lease</i> | <i>Location</i> | <i>% interest</i> |
|-----------------------------------|-----------------------------|-----------------------|
| ML 5831 | Princhester, Queensland | 100% |
| ML 5832 | Princhester, Queensland | 100% |
| EL 5574 | Bushranger, New South Wales | Net Smelter Royalty |
| E70/5515 | Koojan, Western Australia | Option to acquire 75% |
| E70/5312 | Koojan, Western Australia | Option to acquire 75% |
| E70/5429 | Koojan, Western Australia | Option to acquire 75% |
| E70/5337 | Koojan, Western Australia | Option to acquire 75% |
| E70/5450 | Koojan, Western Australia | Option to acquire 75% |
| P70/1743 | Koojan, Western Australia | Option to acquire 75% |